



ADMINISTER GROUP



BUSINESS REVIEW

JANUARY-SEPTEMBER 2024

Administer Plc: Business Review 1 January–30 September 2024

Administer Plc: Profitability development continued to be positive – EBITDA increased by 129%

Figures in parentheses refer to the comparison period in the previous year, unless otherwise stated.

January–September 2024

Key figures

- Net sales were EUR 56.0 million (57.6), showing a decrease of 2.7%. Due to staffing, the Group's net sales are more affected by fluctuations in economic cycles than before.
- EBITDA was EUR 4.6 million (2.0), or 8.2% (3.5%) of the net sales. The company's profitability programme is clearly reflected in the improved EBITDA.
- Operating profit was EUR 0.1 million (-2.3), or 0.2% (-3.9%) of the net sales. The operating profit was weighed down by amortisation of goodwill from the acquisitions, amounting to EUR -3.0 million (-3.0) in total.

July–September 2024

Key figures

- Net sales were EUR 17.6 million (18.3), showing a decrease of 3.9%.
- EBITDA was EUR 1.0 million (0.5), or 5.8% (2.5%) of the net sales.
- Operating profit was EUR -0.5 million (-1.0), or -2.8% (-5.4%) of the net sales. The operating profit was weighed down by amortisation of goodwill from the acquisitions, amounting to EUR -1.0 million (-1.0) in total.

Key events

- In March 2024, the company published its revised strategy. The strategy is based on profitable growth and efficient use of business synergies, both in the customer interface and in internal processes. Strategic projects are continuing as planned.
- The improvement in profitability compared to the corresponding period in the previous year demonstrates that the company has succeeded in making a permanent turn-around in its profitability development.
- During the review period, the acquisition of a share majority in Kuntalaskenta Oy was completed. Kuntalaskenta's figures have been included in the Group's figures as a subsidiary as of 1 September 2024. The ownership arrangement will strengthen the Group's opportunities as a service provider for the public sector.

KEY FIGURES

EUR million unless otherwise stated	1–9/ 2024	1–9/ 2023	Change, %	7–9/ 2024	7–9/ 2023	Change, %	1–12/ 2023
Net sales	56.0	57.6	-2.7%	17.6	18.3	-3.9%	75.9
EBITDA	4.6	2.0	128.8%	1.0	0.5	120.5%	2.8
% of net sales	8.2%	3.5%		5.8%	2.5%		3.8%
Operating profit (EBITA) adjusted with amortisation of goodwill	3.2	0.7	356.7%	0.5	-0.0		1.0
% of net sales	5.7%	1.2%		3.0%	0.0%		1.3%
Operating profit/loss	0.1	-2.3		-0.5	-1.0		-3.0
Profit/loss before appropriations and tax	-0.1	-2.9		-0.7	-0.8		-3.9
Result adjusted with amortisation of goodwill	2.5	-0.2		-0.0	-0.3		0.1
% of net sales	4.5%	-0.3%		-0.2%	-1.9%		0.1%
Result for the financial period	-0.5	-3.1		-1.0	-1.3		-3.9
Earnings per share (EPS)	-0.04	-0.22		-0.07	-0.09		-0.27
Return on equity (ROE), %	-4.7%	-9.7%		-4.7%	-9.7%		-14.1%
Equity ratio, %	45.1%	46.5%		45.1%	46.5%		44.0%
Debt-to-equity ratio, %	51.4%	48.1%		51.4%	48.1%		53.6%
Personnel on average	1,051	1,103	-4.8%	1,069	1,110	-3.7%	1,110

CEO's review

I am satisfied with the implementation of our strategy, which was announced in spring 2024. Our strategic goal of making effective use of the Group's synergies is beginning to materialise on many fronts. For example, we have been able to offer our customers broader service packages. In addition to HR and financial management services, software is an important pillar of our business, and we have also utilised our group expertise in software development.

The new Group strategy is based on profitable growth and efficient use of business synergies, both in the customer interface and in internal processes. The strategy clarifies our operations as a group, providing a framework for both growth and operational development. We have four strong primary brands: Silta Oy, Econia Oy, accounting firm Administer, and EmCe Solution Partner Oy. The versatile offering of these companies creates a unique whole, where different services support one another. We are implementing our strategy in all business operations.

January–September 2024 was realised almost as planned. The one deviation from the plan mainly concerned net sales: our net sales decreased by 2.7% to EUR 56.0 million. The weak economic development in Finland and the general economic climate are reflected in the Group's operations through our customers. Most of all, this has impacted staffing, while our net sales are also affected by the slower summer holiday season. EBITDA was EUR 4.6 million (8.2%). The measures of the profitability programme launched in August 2023 have been implemented, and we have achieved a permanent turn for the better in profitability.

During the review period, we completed the ownership arrangements of Kuntalaskenta Oy, where Administer Plc acquired the majority of shares in Kuntalaskenta Oy. Kuntalaskenta's figures have been consolidated in the Group's figures as a subsidiary as of 1 September 2024. The acquisition strengthens the Group's business opportunities as a service partner for municipalities and the rest of the public sector.

The Group's financial development in January–September 2024

In January–September, the Group's net sales were EUR 56.0 million (57.6), showing a decrease of 2.7%. The decline in net sales was mainly due to the reduction in Econia's net sales.

In January–September, EBITDA was EUR 4.6 million (2.0), or 8.2% (3.5%) of the net sales.

The Group's financial development in July–September 2024

In July–September, the Group's net sales were EUR 17.6 million (18.3), showing a decrease of 3.9%. The decline in net sales was mainly due to the reduction in Econia's net sales.

In July–September, EBITDA was EUR 1.0 million (0.5), or 5.8% (2.5%) of the net sales. The company's profitability programme is clearly reflected in the improved EBITDA.

Business area review

During the review period, the net sales of Silta, which offers payroll and HR services, developed positively. In January–September, the net sales increased by 2.4% and were EUR 19.4 million. In July–September, the net sales declined by 1.1% and were EUR 6.1 million. The sales pipeline looks good, and our investments in expert rental services are showing in new orders. We are seeking improvements in the efficiency of internal operations through process integration and development, which is also in line with the Group strategy.

The net sales of Econia, which offers HR services and staffing, international services, as well as domestic financial management services, declined by 9.5% to EUR 16.5 million in January–September. In July–September, the net sales declined by 9.1% and were EUR 5.1 million. The generally weak economic climate in Finland is still reflected in Econia's operations, especially in staffing. According to the Group strategy, the goal is to expand the service offering within different customer relationships. As an example of this, a large Finnish company was initially offered a financial management service, and later the customer's service package has also been expanded to include HR services and grey economy prevention services.

The net sales of Administer's accounting firm business grew by 0.7%, amounting to EUR 13.7 million in January–September. In July–September, the net sales declined by 3.4% and were EUR 4.2 million. The accounting firm business was successful in winning extensive new projects concerning the outsourcing of financial management. These customer relationships showcase the Group's synergies and broader range of services. We have continued to expand the automation of operations and the utilisation of AI in the eFina system, making the business considerably more effective. An updated version of the mobile app was released with new additional features.

In January–September, the net sales of EmCe, which provides software services, decreased by 2.7% to EUR 5.8 million. In July–September, the net sales declined by 4.7% and were EUR 1.8 million. We have gained new customers both for our own software products for financial and payroll management and especially for the Business Central ERP business. In addition, we have successfully offered other Group services to EmCe's customers. The EmCe product family has been expanded in terms of payroll processes, and the end-user experience has been improved. Emce's software development expertise is also increasingly utilised at the Group level.

The cyclical fluctuations in business operations are showing more clearly with the transition to quarterly reporting. Although the majority of our services are continuous in nature, the holiday season is reflected in the sales of expert and consulting services. In terms of profitability, I am confident that the turn-around achieved this year will be sustainable.

Kimmo Herranen
CEO

Outlook (new guidance on 22 October 2024)

Administer seeks to continue growth investments as well as organic and inorganic growth in 2024. Administer estimates that its net sales will be EUR 74–76 million and its EBITDA margin will be 7–9% in 2024.

Significant events after the review period

Administer lowers its outlook regarding net sales for 2024, guidance for EBITDA will be raised

Administer announced 22 October 2024 that it lowers its outlook for 2024 concerning net sales. EBITDA margin guidance was raised. The updated outlook for 2024 is as follows:

Administer estimates that its net sales will be EUR 74–76 million and its EBITDA margin will be 7–9% in 2024.

Previous outlook for 2024

Administer seeks to continue growth investments as well as organic and inorganic growth in 2024. Administer estimates that its net sales will be EUR 76–81 million and its EBITDA margin will be 6–9% in 2024.

Administer Plc
Board of Directors

More information

Kimmo Herranen, CEO, kimmo.herranen@administer.fi, tel. +358 50 560 6322
Kalle Lehtonen, CFO, kalle.lehtonen@administer.fi, tel. +358 400 539 968



Webinar

CEO Kimmo Herranen and CFO Kalle Lehtonen will present the result in a webinar on 6 November 2024 at 11:00 a.m. EET. Questions can be sent during the event via the chat function.

You can join the webinar at <https://administer.videosync.fi/q3-2024/register>.

A recording will be available after the event at <https://administergroup.com/en/investors/>.

Definitions and calculation of certain alternative key figures and other key figures

Key figure	Definition	Purpose
EBITDA	Operating profit (loss) + depreciation, amortization and impairment	Describes profitability of the operations without the effect of depreciation, amortization and impairment.
EBITDA, %	$\frac{\text{EBITDA}}{\text{Net sales}} \times 100$	Describes the ratio of EBITDA to net sales.
Operating profit adjusted with amortization of goodwill	Operating profit (loss) + amortization of goodwill	Describes the performance of the business excluding the impact of amortization of goodwill.
Operating profit adjusted with amortization of goodwill, %	$\frac{\text{Operating profit adjusted by amortization of goodwill}}{\text{Net sales}} \times 100$	Describes the share of operating profit in net sales excluding the impact of amortization of goodwill.
Operating profit (loss)	Net sales + other operating income – materials and services – personnel expenses – other operating expenses – depreciation, amortization and impairment	Operating profit (loss) describes the profitability of the operations.
Operating profit (loss), %	$\frac{\text{Operating profit (loss)}}{\text{Net Sales}} \times 100$	Describes the ratio of operating profit to net sales.
Profit adjusted with amortization of goodwill	Profit (loss) for the financial period + amortization of goodwill	Describes the profit of the operations without the effect of amortization of goodwill.
Profit adjusted with amortization of goodwill %	$\frac{\text{Profit adjusted by amortization of goodwill}}{\text{Net sales}} \times 100$	Describes the share of operating profit in net sales excluding the impact of amortization of goodwill.
Earnings per share (EPS)	$\frac{\text{Profit (loss) for the financial period without minority interest}}{\text{Average number of outstanding shares during the financial period adjusted with share issue}} \times 100$	Describes the share of profit (loss) for the financial period in proportion to weighted average number of shares outstanding
Return on equity, % (ROE)	$\frac{\text{Profit (loss) for the financial period (rolling 12 months)}}{\text{Average equity (rolling 12 months)}} \times 100$	Measures the result for the period in relation to equity. Average equity is an average of equity at the beginning of and at the end of a financial period.



Equity ratio, %	$\frac{\text{Equity at the end of period}}{\text{Total assets at the end of period – advances received}} \times 100$	Describes the ratio of Administer's assets to equity
Debt-to-equity ratio, %	$\frac{\text{Interest-bearing liabilities}}{(\text{Equity} + \text{goodwill} + \text{minority interest} + \text{accrued appropriations})} \times 100$	Reflects the total amount of Administer's external debt financing.
Net sales growth %	$\frac{\text{Net sales for the period – net sales for the reference period}}{\text{Net sales for the reference period}} \times 100$	Describes operating growth between periods.